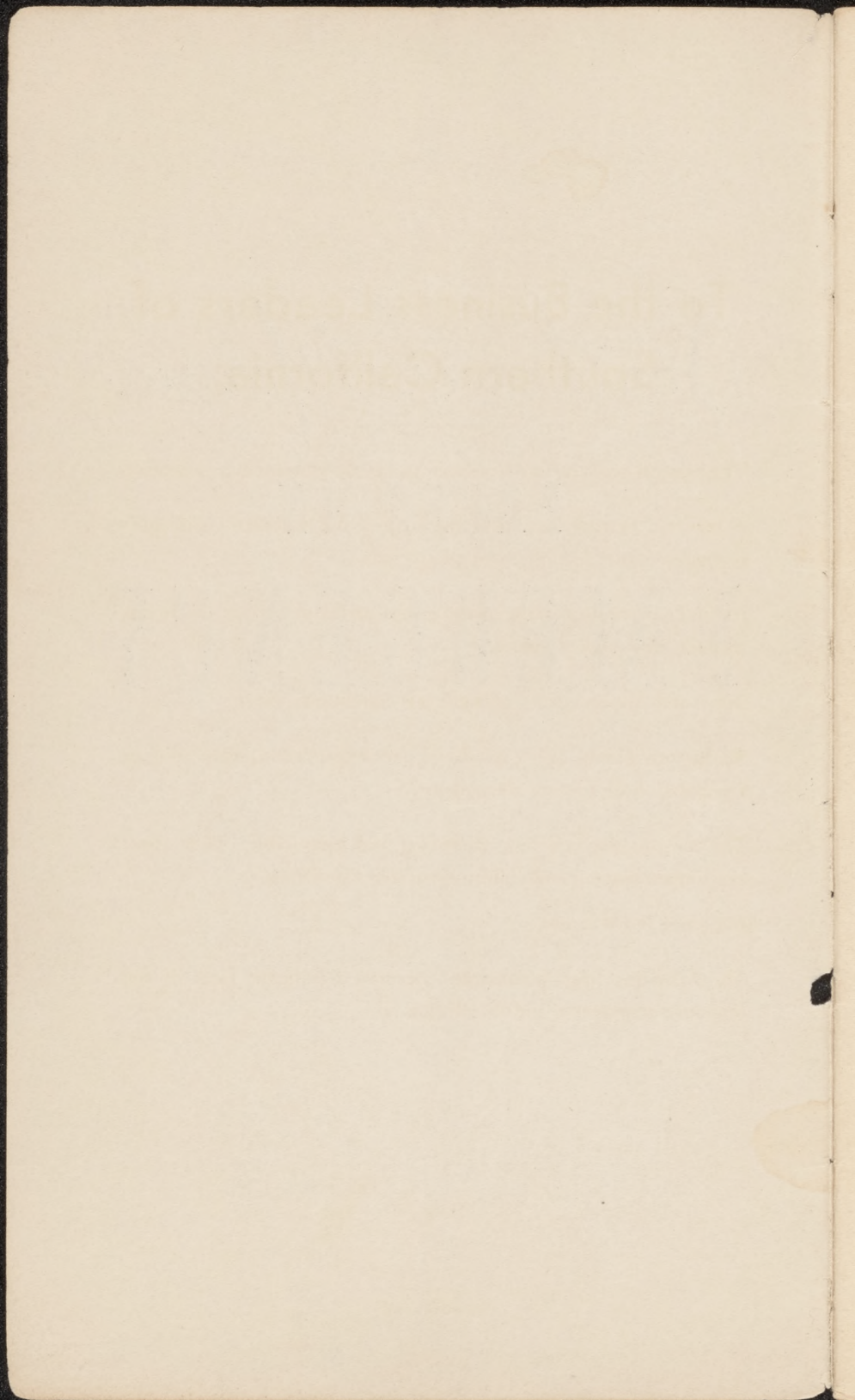


Southern California

FACES AN
EMERGENCY

THIS BOOKLET IS
A CONFIDENTIAL
REPORT WHICH IS
LOANED TO

MR. Whitsett



To the Business Leaders of Southern California:

The signs of recovery we have seen so far are pleasant but deceptive.

A realistic, factual analysis of the outlook for Southern California's economic future has just been completed.

Its findings are unpleasant to those who prefer to look at the future through rose-colored glasses.

But it tells the true story of what our community faces.

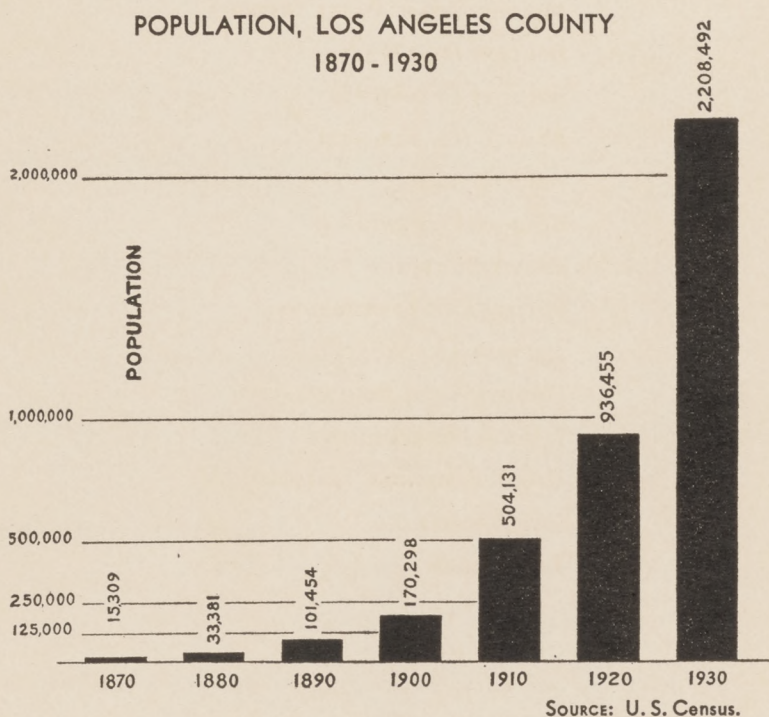
We have overbuilt, over-capitalized, over-expanded in expectation of a population of four to six millions.

The consequences are real, immediate and measurable. They affect every man, woman and child in Southern California.

But there is a way out.

The following pages summarize the most significant facts of our economic emergency, and its solution.

Up to 1930, Southern California's Rapid Population Growth Amazed the World!



The greatest gain occurred in the decade 1920 to 1930, coincident with our greatest advertising effort. This population growth made possible the financial success of our leading institutions in all lines of business.

We Came to Take Southern California's Continued, Rapid Growth for Granted...

and planned and built accordingly—

METROPOLITAN WATER DISTRICT

BOULDER DAM WATER

BOULDER DAM POWER

RESIDENTIAL SUBDIVISIONS

AGRICULTURAL LAND DEVELOPMENTS

BUSINESS PROPERTY

OFFICE BUILDINGS

HOTELS AND APARTMENTS

DEPARTMENT STORES

HIGHWAYS AND BOULEVARDS

HARBOR DEVELOPMENT

UNION PASSENGER TERMINAL

CIVIC CENTER

TAX BURDEN

CITY

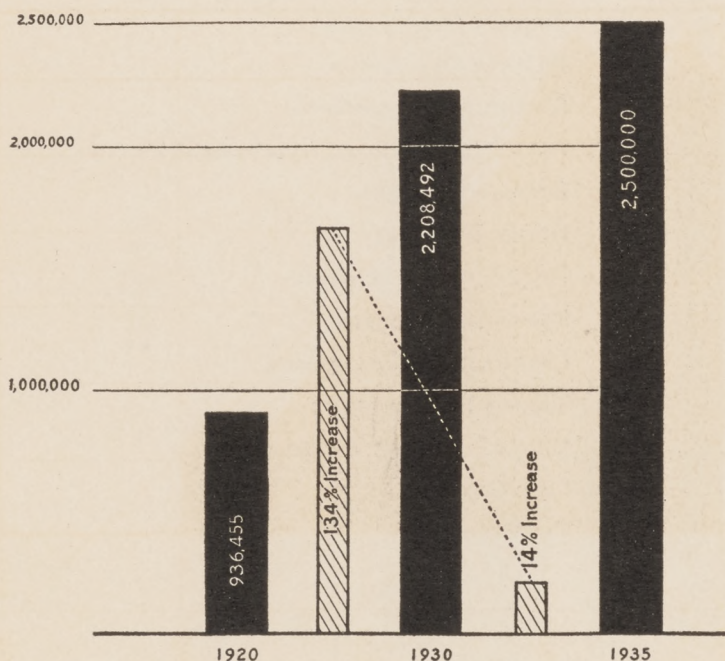
COUNTY

STATE

The developments and commitments to date of all these have been predicated upon the needs and support of a population of from four to six million persons in Southern California.

BUT—Our Population Growth Has Virtually STOPPED!

POPULATION, LOS ANGELES COUNTY
1920 - 1935

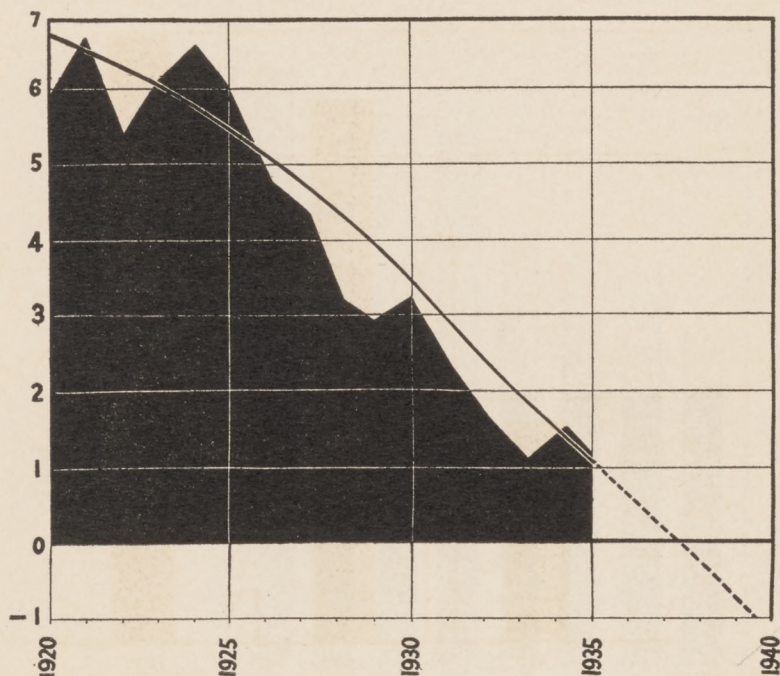


SOURCE: California Taxpayers' Assn.

Our 134 per cent increase in 1920-1930 dwindled to 14 per cent between 1930 and 1935, and the trend is still downward.

Birth Rate, Declining Steadily Since 1921, Now Barely Balances Death Rate

EXCESS OF BIRTHS OVER DEATHS
PER 1000 POPULATION



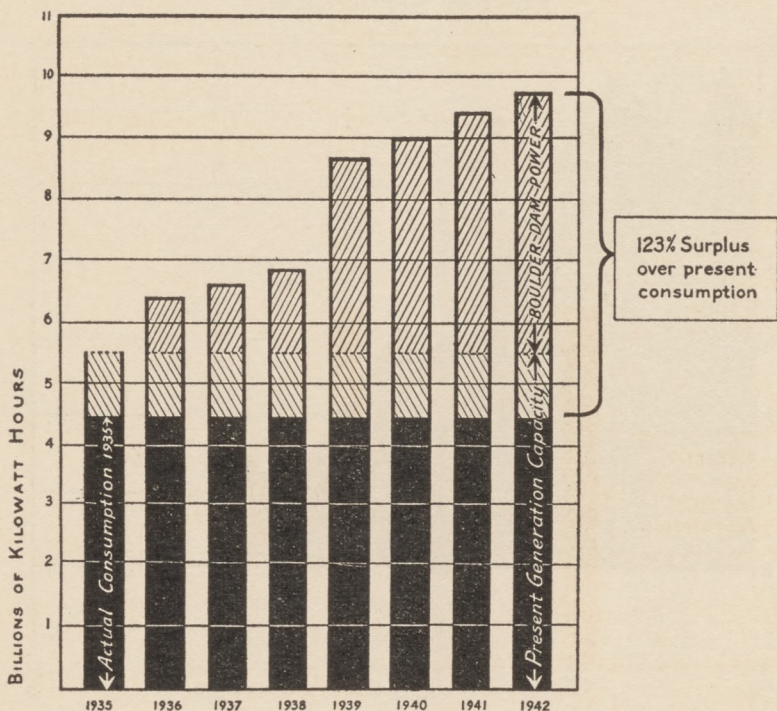
SOURCE: California Dept. of Health.

If the trend continues at its present rate, as there is every indication it will, in less than three years deaths will exceed births, causing an actual *decrease* in population from natural causes.

How Will This Affect Our Basic Lines of Business and Industry?

I.

123% ELECTRICAL ENERGY SURPLUS

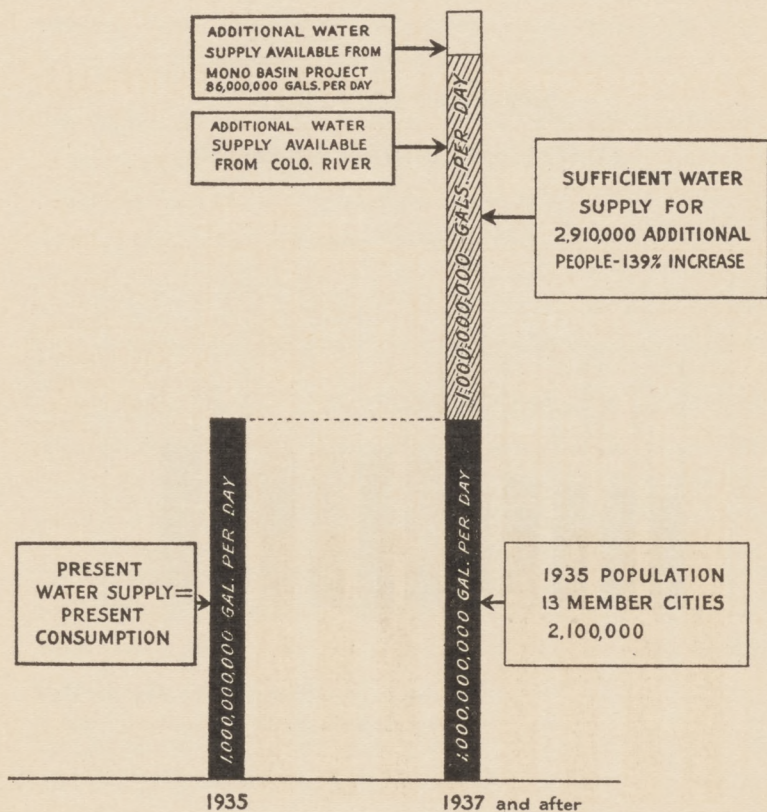


SOURCE: Electrical West.

Within only six years, Boulder Dam will make Southern California's electrical energy supply more than double what we are now able to use. This over-supply cannot be considered as a reserve; we have contracted to take and pay for this power whether we can use it or not. Our commitment amounts to \$333,400,000, or \$110 per person if spread equally among the 3,000,000 population of the ten southern counties. More than 75% of this amount is charged directly against the taxpayers of Los Angeles and other municipalities. Unless new population is obtained to help use and pay for this surplus energy, the cost must be met through increased taxes on our present population.

II.

139% Increase in Water Supply



SOURCE: Metropolitan Water District,
Los Angeles Bureau of Power & Light.

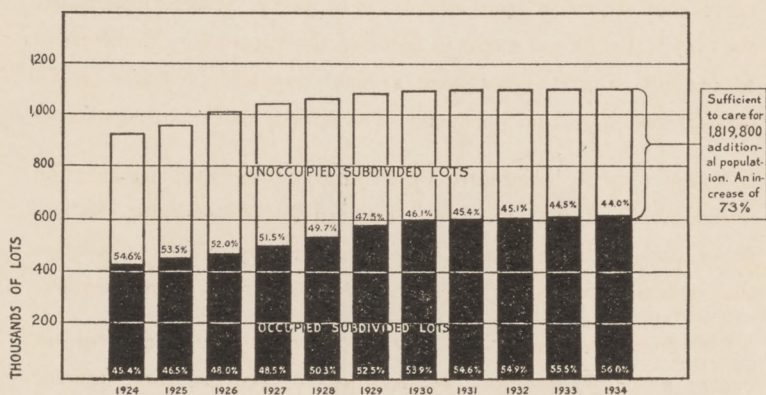
The present water supply of the Metropolitan Water District, equaling present consumption, will be more than doubled by the water made available in 1937 from the Colorado River and Mono Basin.

This new reserve supply will be a valuable safeguard against future emergencies, but a very expensive one unless new population is brought in to help absorb the tremendous cost. The total cost of the Colorado River aqueduct project is backed by a \$220,000,000 bond issue. The annual *interest charges alone*, exclusive of amortization, equal \$8,800,000.

III.

73% Los Angeles County Real Estate Surplus

SUBDIVIDED LOTS ONLY
STREETS AND UTILITIES INSTALLED



SOURCE: Los Angeles County Regional Planning Commission, Eberle Economic Service.

One has only to drive through any residential district of Southern California to become aware of the large proportion of vacant lots—property which brings no income to the owners or the community. A statistical study shows more forcibly than casual observation the gravity of this condition.

This vacant property has already been subdivided—streets and utilities have been constructed and installed, increasing both the investment behind it and the cost of carrying.

On present assessment rates, the value of Los Angeles County unoccupied subdivided lots is \$784,000,000, and the annual carrying charges to owners (exclusive of the indeterminable costs to the community as a whole) are as follows: Interest on investment: \$47,000,000. Taxes: \$15,000,000. Other assessments: \$4,500,000. Total, per year, \$66,500,000 or \$137 per year per vacant lot.

The vacant lot owners themselves are not the only ones to suffer, for in the last analysis the burden falls on the general public. \$1,435,869 of general taxes are spent annually in Los Angeles County for maintenance of streets in front of *vacant* property. It is estimated that the cost of laying gas mains in front of the vacant lots amounted to \$5,866,000, and the cost must at least partially be borne by the users of gas on occupied property. The same is true of other utilities.

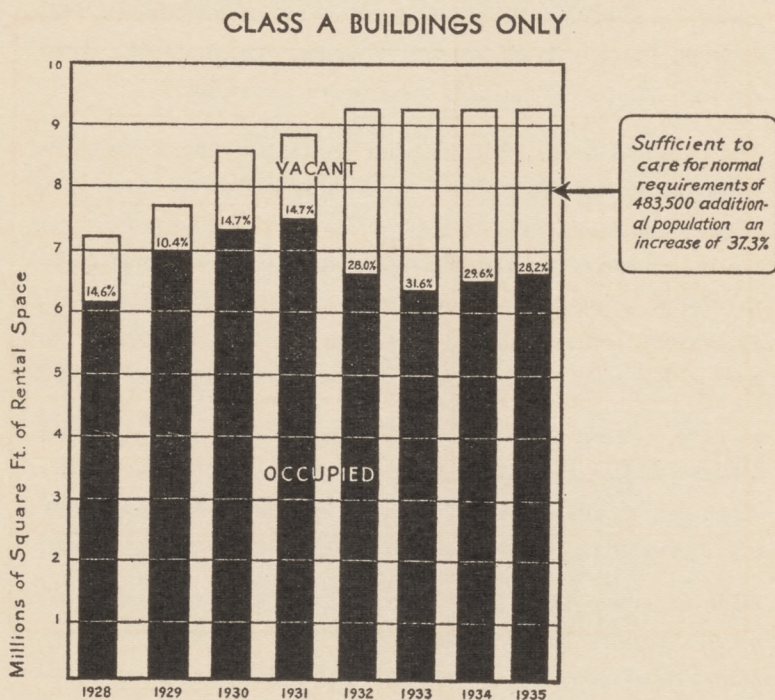
In 1934, a survey conducted by an impartial research organization revealed that of the new homes built in Los Angeles for the residence use of the owners, 87% were built by NEW population, that is, former tourists who had moved to California from elsewhere.

NEW population and NEW business is the *only* market for our vacant property, and *must* be obtained to save this three-quarter-billion dollar investment. Total collapse of our real estate market would come close to bankrupting the entire community.

Our present real estate surplus is enough to take care of the needs of 1,819,800 new population, a 73% increase.

IV.

37.3% Office Building Surplus



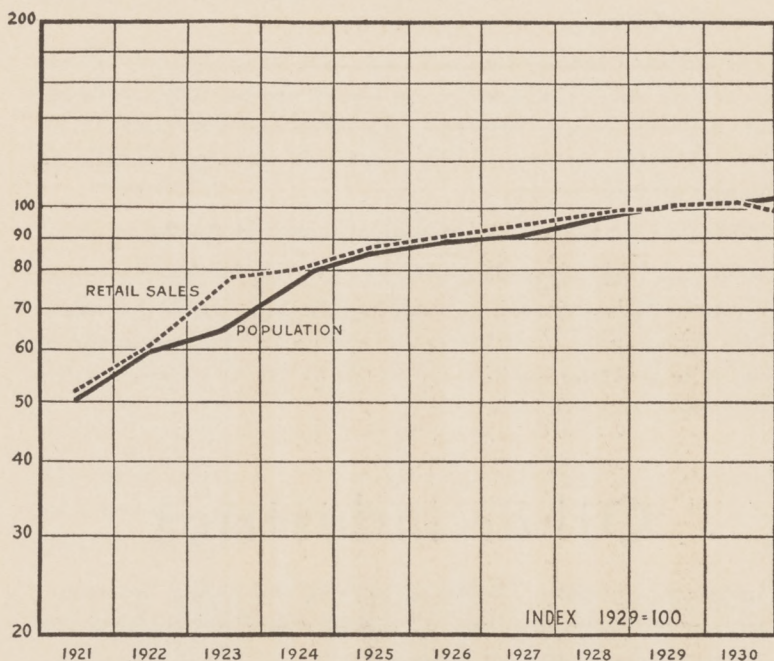
SOURCE: Reports from 130 Class A Los Angeles office buildings, compiled by National Assn. of Building Owners and Managers.

Buildings should be 90% occupied to earn more than fixed expenses, whereas this survey of Class A office buildings (public utility, municipal and single-tenant buildings with no space to rent excluded) shows that as a class they have today a vacancy of 28.2%.

This vacancy amounts to more than two and a half million square feet, which is sufficient to care for the normal needs of 483,500 additional population, an increase of 37.3%. If it were possible to include smaller office buildings and commercial establishments in this survey, the situation would be revealed as still worse.

V.

Retail Sales



SOURCES: Population—California Taxpayers' Assn.
Retail Sales—Security-First National Bank Index of
Department Store Sales.

Department store sales are generally accepted as a true index of retail sales, because of the great range of commodities and products they represent.

This chart for the decade 1920-1930 shows the almost perfect correlation between retail sales and population growth. Since 1929, the dollar volume of retail sales, which is the only available index, has decreased due to lower unit prices. However, authoritative opinion is that the physical volume has dropped off but little, bearing out the conclusion that any further increase in retail volume must come from new population.

VI.

Petroleum

Southern California's largest single *industrial* source of revenue is the oil industry.

The estimated demand for California crude oil for 1936 is 537,000 barrels per day. The industry can readily produce 670,000 barrels per day with present equipment, pipe lines and bulk plants. California refineries operated at only about 56% capacity last year, the Bureau of Mines reports.

California now has *a filling station for every 191 families.*

It requires little imagination to realize how vitally this, our largest extractive industry, needs increased population to enable it to eliminate serious price disturbances, to operate its present equipment nearer to profitable capacity and to put its vast distribution system on a more profitable basis.

Other Industries

Insurance, amusement, laundries, cleaning and dyeing, automotive services and scores of others, *all* depend almost entirely upon new population for increases in business.

Population is essential to attract industry. Nation-wide surveys show 90.6% of industries are established to serve the local or regional market. As commerce follows the flag, so industries follow population.

"It is a precept of modern industry that goods should be made as near as possible to where they are *consumed.*"—

HENRY FORD—1936.

Taxes

Taxes continue to mount despite years of "tax reduction" agitation. The one sure way to relieve the tax load of our citizens is to get desirable new population here to help share it.

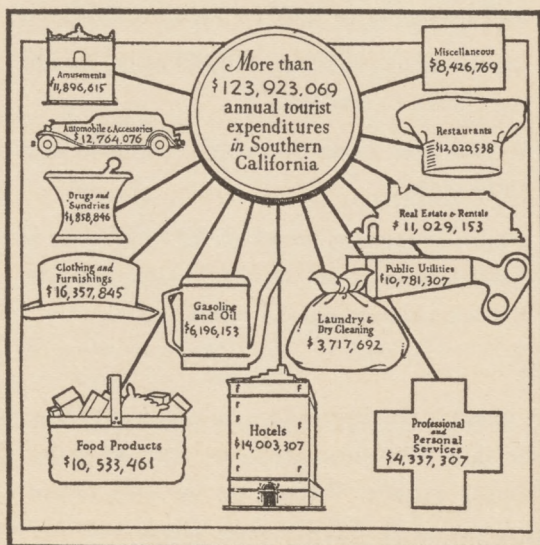
Tourists the Key to Largest Population Growth in Past

Southern California's past growth has been based primarily on five major sources of revenue:

	Annual Revenue
Citrus	\$ 81,000,000
Oil	135,000,000
Motion Pictures	97,748,000
Tourists	123,923,069
Retired Class	148,000,000

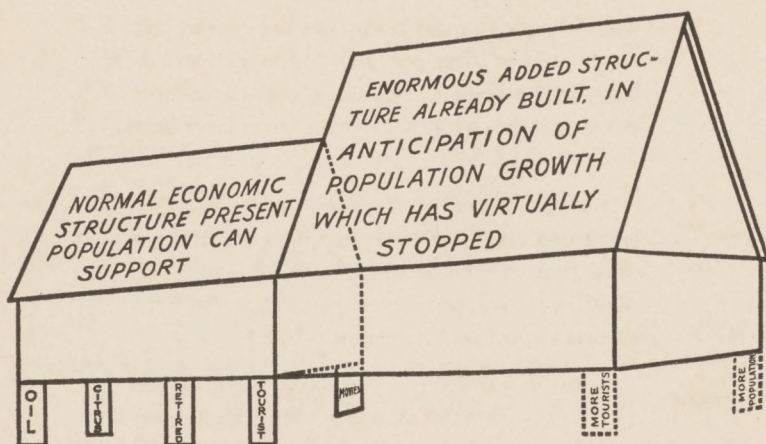
Citrus was the first, then came oil, then movies, then tourists. One out of every ten tourists later returned to live, many of them retiring on the income from their eastern investments and businesses. As this retired class has grown, the outside money it annually brings into Southern California has grown to the point where it now exceeds, according to conservative estimates of competent economists, the revenue from any of our other single primary industries.

This money, of course, flows into every channel of Southern California trade and employment, as do tourist expenditures. Here is how the latter are distributed:



SOURCES: Eberle Economic Service, Inc.; All-Year Club Surveys.

Tourists the Best Way To Selective Population Increase



Tourists not only . . .

1. Spend \$14,000 an hour in Southern California
2. Provide employment for 150,000 of our Southern California residents
3. Account for \$1 out of every \$5 spent in local retail trade
4. Normally account for \$18,074,913 per year in general county taxes, retail sales taxes and gasoline taxes in Southern California

But also . . .

One in every ten returns to live, bringing eastern capital and income into Southern California. Of our major sources of community income, Tourists are the *only* source capable of being increased at a faster than normal rate by community action, in order to support the economic structure we have created.

Effectiveness of the All-Year Club in Increasing Tourists Has Been Proved by Results

1. The old-time summer slump has been wiped out. Forty years of "free publicity" brought no summer tourists up to 1921. Today, they outnumber winter tourists by 50%, and the latter have been doubled.
2. A steadily increasing, *provable* return per dollar, based on the known expenditures of only those tourists who first answered All-Year Club advertising, reached a high point of \$39.84 for every \$1 spent in advertising in 1935.
3. Visitors' length of stay has been increased: in 1935, 52% of All-Year Club Guide Book users stayed an average of 20% longer than they had planned.
4. The campaigns have become models for other community advertisers, and have won the acclaim of experts. For example:

Advertising & Selling: "Grand prize, all campaigns . . . magnificently done."

Printers' Ink Weekly: "Refreshingly unorthodox . . . interestingly illustrated . . . distinction in copy."

Western Advertising: "Dean of them all . . . most effective of community advertisers."

Tide: "Offers just about everything . . . one of the most successful of community advertising ventures."

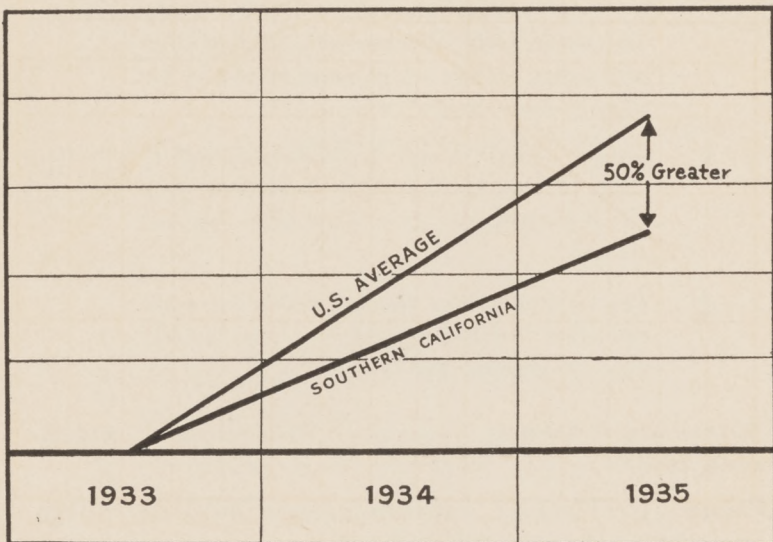
Advertising Age: "Copy techniques which have proved their worth . . . steady increase in response per dollar."

. . .

Every All-Year Club advertisement and each piece of literature, moreover, contains a definite warning to indigents and job-seekers *not* to come to California. This is the *only* agency doing this important work.

Southern California's Tourist Recovery, However, is Lagging Behind That of Its Competitors

INCREASE IN TOURIST VOLUME, 1933 TO 1935 INCLUSIVE

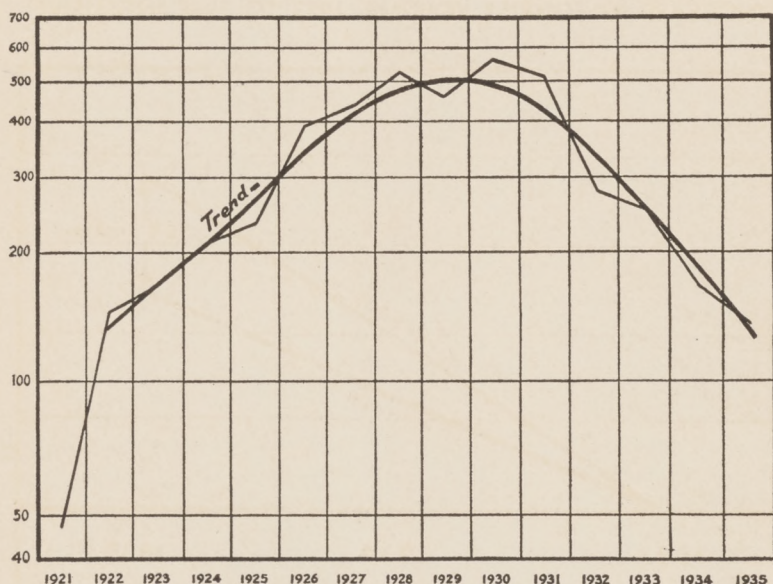


SOURCE: Reports from 26 leading resort areas in 17 states.

Southern California's tourist recovery from the depression low of 1933 fell behind that of its competition in 1934, and then fell even farther behind in 1935, despite the proven quality of All-Year Club advertising.

All-Year Club Advertising Funds Are Now Inadequate to Do the Job

ALL-YEAR CLUB SPACE APPROPRIATIONS, 1921-1935



Southern California, through lack of funds, has dangerously reduced its tourist promotion . . . unfortunately, just when the greatest rewards could be expected as recovery releases a flood of new travel dollars, which are going to resorts most aggressively bidding for them.

At the Same Time, Competition By Other Resorts Has Increased Many Times

When Southern California pioneered the community advertising field, it had practically no competition. Here is a partial list of competing community and resort advertisers whose tourist advertising appeared in national magazines during 1934 and 1935:

Albuquerque (New Mex.)	Marlin, Tex.
All-Florida Committee	Miami, Fla.
Asheville, N. C.	Michigan State Tourist Commission
Atlantic City, N. J.	Michigan Upper Peninsula
Atlanta, Ga.	Montreal Tourist Bureau
Australia	Morocco
Baden Baden, Germany	Nassau
Bad Nauheim	New Brunswick
Bermuda	New England Council
Bisbee, Ariz.	Newfoundland
Boulder, Colo.	New Hampshire
Camden, S. C.	New Mexico
Canadian Travel Bureau	New York State
Cape Cod	Norfolk, Va.
Charleston, S. C.	Ontario, Canada
Charlotte, N. C.	Orlando, Fla.
Colorado Springs	Patronato Nacional del Turismo, Madrid
Conoco Travel Bureau	Phoenix, Ariz.
Douglas, Ariz.	Pinehurst, N. C.
Dresden, Germany	Portland, Ore.
East Michigan Tourist Assn.	Puget Sounders and British Columbians
Egypt	Quebec
El Paso, Tex.	Saranac
Ely, Minn.	San Antonio, Tex.
Galveston, Tex.	Sarasota, Fla.
German Tourist Information Bureau	Sicily
Hawaii Tourist Bureau	South African Government Bureau
Hot Springs	St. Petersburg, Fla.
Intourist, Inc. (Russia)	Swedish Travel Bureau
Italian Tourist Information Bureau	Texas Centennial Commission
Jamaica	Tucson, Ariz.
Japan Tourist Bureau	Tuscany, Italy
Kentucky Progress Commission	Milan, Italy
Lake Como	Vermont
Lake Placid	Virginia (State)
Maine Development Board	York Harbor
Malvern Festival	

In Newspapers the Situation Is Even Worse

TYPICAL EASTERN TRAVEL EDITION

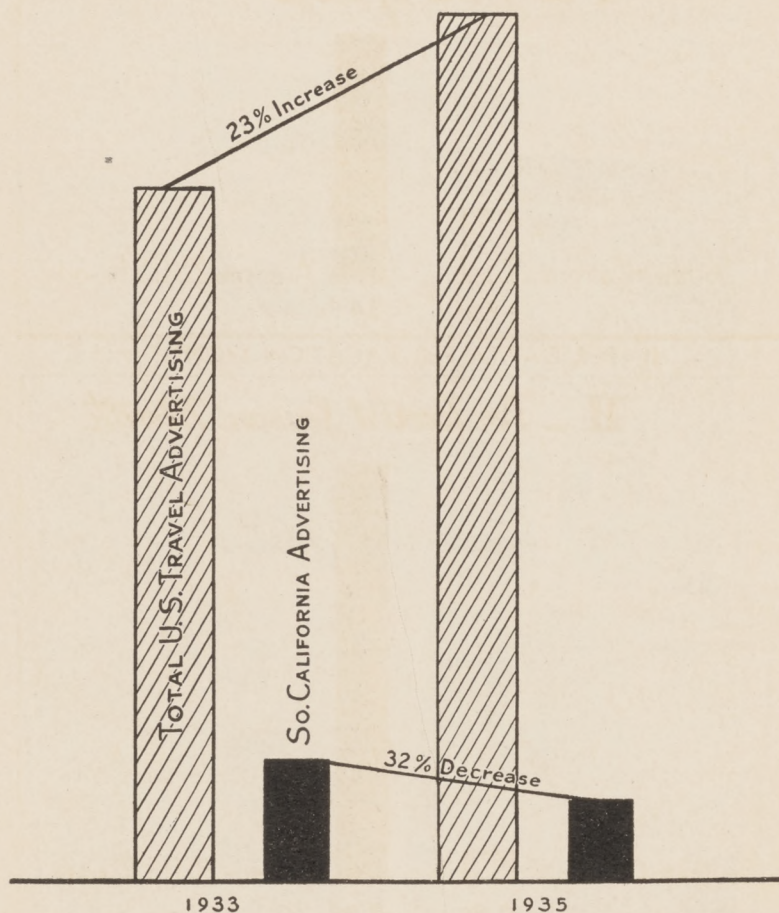
New York Times, December 8, 1935



—with practically NO representation for Southern California.

Relative Change in Tourist Advertising Expenditures

SOUTHERN CALIFORNIA VS. COMPETITORS, 1933-1935

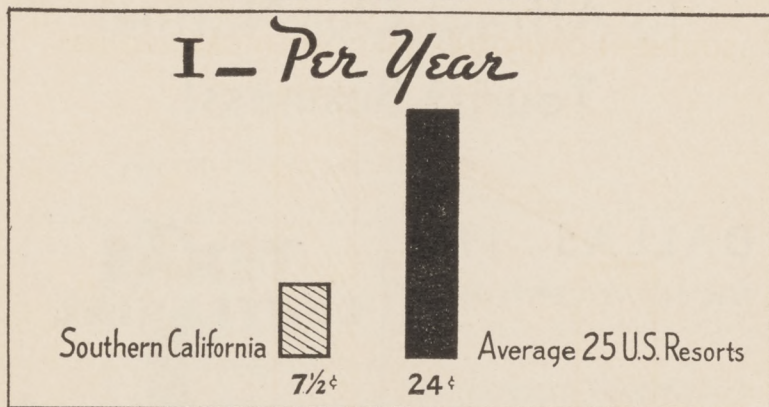


SOURCE: Media Records,
Publishers' Information Bureau.

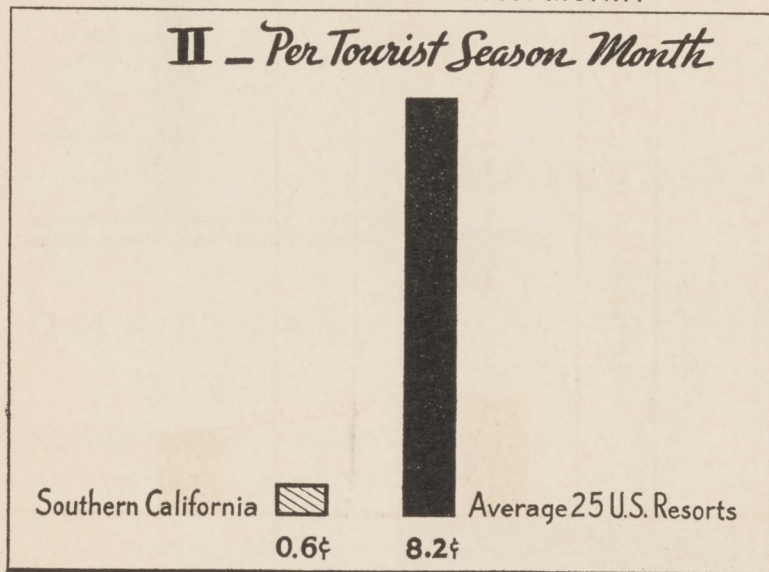
Heavily out-advertised in 1933, Southern California has decreased her advertising still further in both magazines and newspapers, while total travel advertising was increasing considerably in both mediums.

Per Capita Tourist Advertising Expenditures

I. PER CAPITA PER YEAR



II. PER CAPITA PER VACATION MONTH



SOURCE: U. S. Census, All-Year Club Questionnaire.

That residents of California's 25 leading resort competitors realize better than we do the value of tourists is shown by the fact that they spend more than three times as much *per capita* to bring tourists. When we realize that our competitors' advertising is concentrated on a short three-months season, while that of Southern California brings tourists the year 'round, it is apparent that on a monthly basis, they are spending 14 times our per capita expenditure.

Competitors are Staging Spectacular Special Events to Attract Our Normal Tourist Business!

DALLAS - 1936

THE TEXAS CENTENNIAL

A \$15,000,000 Exposition with
a \$750,000 Advertising Fund



CLEVELAND 1936

GREAT LAKES EXPOSITION

\$25,000,000 in Buildings Alone
— \$100,000 Initial Advertising
Appropriation directed at 25,-
000,000 people overnight from
Cleveland

IN 1936, SOUTHERN CALIFORNIA HAS A COMPETING
ATTRACTION IN THE NEW SAN DIEGO EXPOSITION, BUT
NO MONEY TO ADVERTISE IT!

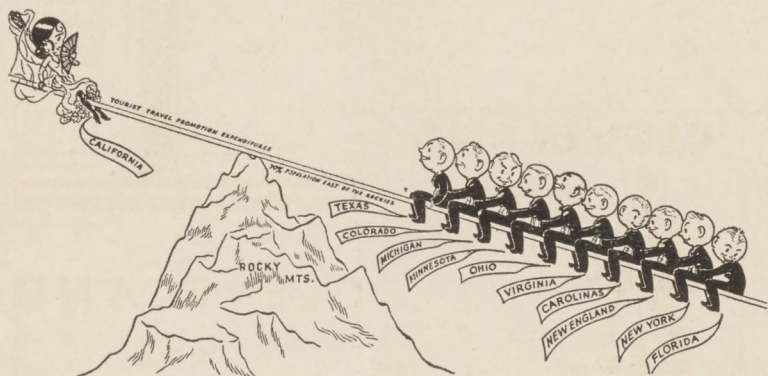
As Recovery Progresses . . New Buying Habits Are Forming

Many people will have more money to spend.

During the depression, they have done without many luxuries, even many necessities.

They will spend their new resources for the things most aggressively sold to them. This has been the fact after every depression, and it is already being demonstrated today.

Our competitors realize this, and have already started to capitalize on it.



With all the advantage of distance on their side, our competitors still spend 14 times as much per capita as Southern California.

No individual business firm or industry can meet this challenge for Southern California. Our tourist promotional job is necessarily a co-operative, community-wide enterprise.

A Minimum of \$250,000 from Business Interests Is Required to Halt the Trend Downward and Meet Our Competition

We Have Seen That—

1. Southern California's economic salvation depends upon continued *rapid* population growth.
2. Southern California's growth, however, has almost STOPPED.
3. Tourist advertising is the proved, sound way to speed up selective population growth, and tourist expenditures themselves are our second largest source of primary revenue.
4. Our tourist promotion has dangerously decreased, while aggressive competition has been steadily increasing, and threatens even the tourist business we now enjoy.
5. The emergency demands concerted, vigorous action by our entire community.

Our business leaders are giving of their time and money to meet this emergency.

It is your problem exactly as much as it is theirs or mine.

We need your help, both in the form of a subscription to the advertising fund now being raised by the All-Year Club, and in telling these facts to other business leaders of your acquaintance.

Do your part, revive the spirit that built Southern California, and we can lift this mortgage from our future!

DONALD O'MELVENY, President
All-Year Club of Southern California
629 South Hill Street, Los Angeles
Telephone: VAndike 2091

THE UNIVERSITY OF CHICAGO
LIBRARY
1100 EAST 58TH STREET
CHICAGO, ILL. 60637

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